

Management's Discussion and Analysis

As management of Lewis County, we offer readers of Lewis County's financial statements this narrative overview and analysis of the financial activities of Lewis County for the fiscal year ended December 31, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our financial statements, and notes to the financial statements to analyze the county's financial activities and condition.

Financial Highlights

- The assets of Lewis County exceeded its liabilities at the close of the most recent fiscal year by \$138 million (*net position*). Of this amount, \$34.3 million (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$3.4 million. This change is primarily attributable to the recognition of current year infrastructure, recognition of accrued revenues, recognition of depreciation expense, exclusion of capital outlay costs and exclusion of debt proceeds and debt principal payments.
- As of the close of the current fiscal year, Lewis County's governmental funds reported combined ending fund balances of \$39.1 million, a decrease of \$178 thousand in comparison with the prior year. Approximately 89.0 percent of this total amount, \$34.9 million, is *available for spending* at the government's discretion (*unreserved/undesignated fund balance*); however, fund balances in special revenue, debt service and capital projects funds are dedicated to their specific purposes, which in some instances is prescribed by state law.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$10.4 million, or 31.3 percent of general fund expenditures and operating transfers out.
- Lewis County's total debt decreased by \$1.3 million (6 percent) during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Lewis County's basic financial statements. Lewis County's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Lewis County's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of Lewis County's assets and liabilities, with the difference between the two reported as *net position*. Over time,

increases or decreases in net assets may serve as a useful indicator of whether the financial position of Lewis County is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of Lewis County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of Lewis County include general government, public safety, physical environment, economic environment/development, county road system, mental and physical health, and culture and recreation. The business-type activities of Lewis County include a solid waste utility, a solid waste disposal district, a water sewer activity and two airports.

The government-wide financial statements include not only Lewis County itself (known as the *primary government*), but also the Solid Waste Disposal District No. 1 of Lewis County. The Solid Waste Disposal District is a quasi-municipal corporation with an independent taxing authority and district for which Lewis County is financially accountable. Financial information for this *blended component unit* is reported as a major fund within the business-type activities and included within financial information presented for the primary government itself.

The government-wide financial statements can be found directly following this section, *Management's Discussion and Analysis* within this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Lewis County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Lewis County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Lewis County maintains 41 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Roads Fund, and Capital Facilities Fund, all are considered to be major funds. Pursuant to GASB Statement No. 54, data from five governmental funds was rolled into major funds for financial reporting purposes, four into the General Fund and one into the Roads Fund. Data from the other 33 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

A major fund is defined in the following manner:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least ten percent (10%) of the corresponding total (assets, liabilities, etc.) for all funds of that category or type (that is, total governmental or total enterprise funds); and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual government fund or enterprise fund are at least five percent (5%) of the corresponding total for all governmental and enterprise funds combined; or,
- c. Any other governmental or enterprise fund the government's officials believe is particularly important to financial statement users.

Lewis County adopts an annual appropriated budget for all county funds including its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found in the *required supplementary information* following the notes to the financial statements in this report.

Proprietary funds. Lewis County maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Lewis County uses enterprise funds to account for its Solid Waste, Solid Waste Disposal District, Water Sewer Utility, Packwood Airport and South County Airport operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among Lewis County's various functions. Lewis County uses internal service funds to account for its fleet of vehicles, insurance programs, county facilities and management information

systems. Because all of these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Solid Waste Disposal District and the Solid Waste Utility, which are considered to be a major funds of Lewis County. Additionally, the following are non-major enterprise funds of the county: Water Sewer Utility, South County Airport, and Packwood Airport. Conversely, six internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found following the governmental fund financial statement in this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support Lewis County's own programs. The accounting used for fiduciary funds is much like that used for governmental funds.

Lewis County has one type of fiduciary fund: Agency Funds (clearing accounts for assets held by Lewis County in its role as custodian until the funds are distributed to government agencies, private parties, or organizations to which they belong).

The basic fiduciary fund financial statements can be found following the proprietary fund financial statement in this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found following the fund financial statements in this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*, which can be found following the notes to the financial statements in this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Lewis County, assets exceeded liabilities by \$138 million at the close of the most recent fiscal year.

By far the largest portion of Lewis County's net assets (57.3 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. Lewis County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although Lewis County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Lewis County's Net Position

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and Other Assets	\$ 68,811,353	\$ 68,722,929	\$ 5,180,463	\$ 5,438,599	\$ 73,991,816	\$ 74,161,528
Capital Assets	95,809,458	93,133,175	3,771,862	3,743,639	99,581,320	\$ 96,876,814
Total Assets	\$ 164,620,811	\$ 161,856,104	\$ 8,952,325	\$ 9,182,238	\$ 173,573,136	\$ 171,038,342
Payables	\$ 8,093,289	\$ 8,430,569	\$ 640,824	\$ 431,162	\$ 8,734,113	\$ 8,861,731
Long-Term	26,243,501	27,004,975	160,117	154,367	26,403,618	\$ 27,159,342
Total Liabilities	34,336,790	35,435,544	800,941	585,529	35,137,731	36,021,073
Net Position						
Invested in Capital, net of debt	75,523,172	74,493,172	3,771,862	3,743,639	79,295,034	78,236,811
Restricted	24,866,670	17,969,776	11,196	18,256	24,877,866	17,988,032
Unrestricted	29,894,179	33,957,612	4,368,326	4,834,814	34,262,505	38,792,426
Total Net Position	\$ 130,284,021	\$ 126,420,560	\$ 8,151,384	\$ 8,596,709	\$ 138,435,405	\$ 135,017,269

Internal Balances removed from Total Primary Government Column

An additional portion of Lewis County's net assets (18.0 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$34.3 million) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, Lewis County is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

There was a decrease of \$7 thousand in restricted net assets reported in connection with Lewis County's business-type activities. This resulted from a reduction of special assessments in the Water Sewer fund.

Lewis County's Changes in Net Position

	Governmental Activities		Business Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program Revenues:						
Charges for Services	\$ 12,561,935	\$ 13,115,865	\$ 6,794,885	\$ 6,812,172	\$ 19,356,820	\$ 19,928,037
Operating Grants and Contributions	14,432,918	11,162,728	429,209	238,756	14,862,127	11,401,484
Capital Grants and Contributions	4,193,787	2,944,583	-	-	4,193,787	2,944,583
General Revenues:						
Property Taxes	22,504,186	21,919,800	-	-	22,504,186	21,919,800
Private Harvest Taxes	2,068,906	1,877,452	-	-	2,068,906	1,877,452
Sales Tax	7,876,746	7,448,879	-	-	7,876,746	7,448,879
Excise Tax	1,325,592	5,277,028	-	-	1,325,592	5,277,028
Penalty and Interest Delinquent Tax	1,206,400	1,085,488	-	-	1,206,400	1,085,488
Investment Earnings	794,926	951,805	(3,782)	(198)	791,144	951,607
Miscellaneous	161,286	302,334	373	63,894	161,659	366,228
Gain on Sale of Capital Assets	1,531,836	4,092,619	-	-	1,531,836	4,092,619
Total Revenues	\$ 68,658,518	\$ 70,178,581	\$ 7,220,685	\$ 7,114,624	\$ 75,879,203	\$ 77,293,205
Program Expenses Including Indirect Expenses:						
General Government Services	\$ 15,313,346	\$ 15,117,579	\$ -	\$ -	\$ 15,313,346	\$ 15,117,579
Security of Persons & Property	20,650,566	20,829,028	-	-	20,650,566	20,829,028
Physical Environment	1,477,201	1,524,618	-	-	1,477,201	1,524,618
Transportation	17,824,798	19,766,669	-	-	17,824,798	19,766,669
Economic Environment	3,622,562	3,632,447	-	-	3,622,562	3,632,447
Mental & Physical Health	4,350,910	4,452,939	-	-	4,350,910	4,452,939
Culture & Recreation	1,555,000	1,389,094	-	-	1,555,000	1,389,094
Interest on Long-Term Debt	810,368	955,212	-	-	810,368	955,212
Solid Waste	-	-	7,270,949	7,444,448	7,270,949	7,444,448
Airport	-	-	538,393	298,676	538,393	298,676
Water Sewer	-	-	104,268	62,922	104,268	62,922
Total Expenses	\$ 65,604,751	\$ 67,667,586	\$ 7,913,610	\$ 7,806,046	\$ 73,518,361	\$ 75,473,632
Capital Contributions (Dispositions)	156,743	2,868	-	-	156,743	2,868
Transfers	(247,600)	(462,600)	247,600	462,600	-	-
Rounding Adjustment	(2)	-	-	-	(2)	-
Change in Net Position	2,962,908	2,051,263	(445,325)	(228,822)	2,517,583	1,822,441
Net Position - Beginning of Year	126,420,560	124,369,297	8,596,709	8,825,531	135,017,269	133,194,828
Prior Period Adjustment	900,553	-	-	-	900,553	-
Net Position - End of Year	130,284,021	126,420,560	8,151,384	8,596,709	137,534,852	135,017,269

The government's net assets increased by \$3.4 million during the current fiscal year. Most of this change is attributable to the recognition of current year infrastructure, accrued revenues, and depreciation expense, along with the exclusion of capital outlay costs, and debt principal payments.

Governmental activities. Governmental activities increased Lewis County's net position by \$3.9 million, thereby accounting for the majority of the decrease in the net position of Lewis County. Key revenue elements of this change are as follows:

- Property taxes increased by \$584 thousand (2.7 percent) over the prior year. Most of the increase is related to increase in assessed values and new construction, as well collection of delinquent taxes, rather than increases in underlying taxes, which are limited by current Washington state law.
- Sales tax increased by \$427 thousand (5.7 percent), which relates to a slight recovery in economic conditions and the change to the destination based sales tax collection.
- Operating grants, intergovernmental revenues, and contributions for governmental activities increased by \$3.3 million (29.3 percent), which relates to decrease in grants and intergovernmental revenue the county received in 2012 primarily in the Roads fund.
- Gain on sale of capital assets decreased by \$2.6 million (62.6 percent), which relates primarily to forest board yield (timber sales); this is considered the sale of county assets.

Expenses and Program Revenues—Governmental Activities

	Expenses		Program Revenue		Net (Expense)
	Revenue		Revenue		
General Government Services	\$	15,313,346	\$	9,444,228	\$ (5,869,118)
Security of Persons & Property		20,650,566		5,275,080	(15,375,486)
Physical Environment		1,477,201		1,390,835	(86,366)
Transportation		17,824,798		8,589,928	(9,234,870)
Economic Environment		3,622,562		2,034,917	(1,587,645)
Mental & Physical Health		4,350,910		3,572,001	(778,909)
Culture & Recreation		1,555,000		881,651	(673,349)
Interest on Long-Term Debt		810,368		-	(810,368)
TOTAL	\$	65,604,751	\$	31,188,640	\$ (34,416,111)

Revenues by Source—Governmental Activities

	Revenue:	
	Dollars	Percentage
Charges for Services	\$ 12,561,935	18.25%
Operating Grants and Contributions	14,432,918	20.97%
Capital Grants and Contributions	4,193,787	6.09%
Property Taxes	22,504,186	32.70%
Other Taxes	12,477,644	18.13%
Investment Earnings	794,926	1.16%
Miscellaneous	161,286	0.23%
Capital Contributions (Dispositions)	156,743	0.23%
Gain on Sales of Capital Assets	1,531,836	2.23%
Total	\$ 68,815,261	100%

For the most part, the slight increases in expenses and revenues were the results of the outcomes of the current marginal up-tick in economic conditions. Although, overall conditions have required the county to make cuts in various programs in most functions of the government, which has also been impacted by a decline in revenues in the prior few years.

Business-type activities. Business-type activities decreased Lewis County's net assets by \$445 thousand, accounting for 5.2 percent of the decrease in the government's business-type net assets. Key elements of this decrease are as follows:

- Charges for services for business-type activities decreased by 0.3 percent. The Solid Waste Disposal District No. 1 accounts for a significant portion of this revenue source, which resulted from tipping fees. Revenues also decreased as a result of a slight decrease in demand. Together, these factors account for the \$17 thousand decrease in charges for services for the Solid Waste Disposal District No. 1.
- Expenses related to the Solid Waste activity also decreased slightly by \$174 thousand (1.5 percent) over the prior year.

Expenses and Program Revenues—Business-type Activities

	Expenses	Program Revenue	Net (Expense) / Revenue
Solid Waste Utility	\$ 7,270,949	\$ 6,861,802	\$ (409,147)
Airports	538,393	267,874	(270,519)
Water-Sewer Utilities	104,268	94,418	(9,850)
TOTAL	\$ 7,913,610	\$ 7,224,094	\$ (689,516)

Revenues by Source—Business-type Activities

	Revenue	Percent
Charges for Services	\$ 6,794,885	94.103%
Operating Grants and Contributions	429,209	5.944%
Investment Earnings	(3,782)	-0.052%
Miscellaneous	373	0.005%
TOTAL	\$ 7,220,685	100.00%

Financial Analysis of the Government's Funds

As noted earlier, Lewis County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of Lewis County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing Lewis County's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, Lewis County's governmental funds reported combined ending fund balances of \$39.2 million, a decrease of \$178 thousand in comparison with the prior year. Approximately 89.0 percent of this total amount (\$34.9 million) constitutes *unreserved/undesignated fund balance*, which is available for spending at the government's discretion; however, fund balances in special revenue, debt service and capital projects funds are dedicated to their specific purposes, which in some instances is prescribed by state law. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to fund a rainy day contingency within the General fund (\$1.5 million).

The general fund is the chief operating fund of Lewis County. At the end of the current fiscal year, unassigned fund balance of the general fund was \$10.4 million, while total fund balance reached \$10.8 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 34.6 percent of total general fund expenditures, while total fund balance represents 36.0 percent of that same amount.

The fund balance of Lewis County's general fund decreased by \$1.1 million during the current fiscal year. There was a \$965 thousand decrease in revenues, which were greater than expenditures by \$1.5 million, due in part to historically lower expenditures with only a slight annual increase of \$397 thousand. Coupled with a net negative other financing sources and uses of \$2.5 million, revenues were not adequate to cover all expenses with a \$1.0 million deficit. Additionally, the following other key factors continue to draw on the general fund's resources:

- Limitation on increases in property taxes
- Constant demand for levels of services in law and justice programs
- Significant decreases due to the current economic conditions which have adversely impacted revenues from: charges for services, operating grants, sales tax and investment earnings

The debt service funds have a total fund balance of \$21 thousand, which is reserved for the payment of debt service. The net increase in fund balance during the current year in the debt service fund was minimal (\$9.8 thousand). There was a decrease in interest expenditures during the current period (\$124 thousand), which was due to the

scheduled debt service payments during the period. Debt service payments are funded when due by transfers in from the General, Stadium, and Capital Facilities Plan funds. Real estate excise taxes represent the primary revenue source for the Capital Facilities Plan fund.

Proprietary funds. Lewis County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Solid Waste Disposal District No. 1 and the Solid Waste Utility at year end were \$3 million, and 2.6 million, respectively. Those for the non-major enterprise funds amounted to \$2.5 million. The decrease in net position for the Solid Waste Disposal District No. 1 and the Solid Waste Utility \$379 thousand and \$119 thousand, respectively. During the year, net position for all enterprise funds decreased by \$445 thousand. Other factors concerning the finances of these funds have already been addressed in the discussion of Lewis County's' business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were increases of \$379 thousand in departments, and an increase of \$1.4 million in other financing uses which were transfers out to other funds which fell short and required additional general fund dollars (1.0 million net increase in departmental and other financing uses appropriations) and can be briefly summarized as follows:

- \$190 thousand in increases in general government activities
- \$96 thousand in increases allocated to the various law and justice departments
- \$36 thousand in increases allocated utilities & environment
- \$48 thousand in increases in mental and physical health
- \$8 thousand in increases in culture and recreation
- \$1.4 million in increases in operating transfers out to other funds

Of this change, \$258 thousand was funded out of miscellaneous increases in various revenue sources. As an additional offset to the budget changes, there was a \$1.0 million decrease in budgeted estimated ending fund balances. During the year actual revenues were less than original budgetary estimates, expenditures less than budgetary estimates, and the net effect after other financing uses lead to the decrease of \$1.0 million of actual fund balance.

Capital Asset and Debt Administration

Capital Assets. Lewis County's capital assets for its governmental and business-type activities as of December 31, 2012, amounts to \$99.6 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, county roads, and bridges. The total decrease in Lewis County's investment in capital assets for the current fiscal year was 2.79 percent (a \$2.7 million decrease for governmental activities and \$28 thousand decrease for business-type activities).

Major capital asset events during the current fiscal year included the following:

- Increase in county land due to the purchase and donations of road right-of-way.
- Decrease in Construction in Progress is due to three large capital projects where feasibility costs have been expensed given the projects lack funding in the foreseeable future due to dismal economic times.
- Decrease in county buildings mainly due to annual depreciation.
- Increase in infrastructure primarily due to construction of two new bridges.

Lewis County's Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 4,311,400	\$ 4,110,321	\$ 177,889	\$ 177,889	\$ 4,489,289	\$ 4,288,210
Land Use Rights (Intangible Assets)	50,098	47,978	2,014	2,014	52,112	49,992
Construction in Progress	5,749,805	8,959,794	-	716,162	5,749,805	9,675,956
Buildings	37,557,605	38,405,301	258,324	307,795	37,815,929	38,713,096
Improvements other than buildings	977,381	1,382,524	2,868,449	2,344,190	3,845,830	3,726,714
Machinery & Equipment	7,231,227	7,303,884	465,185	195,589	7,696,412	7,499,473
Intangible Assets	-	-	-	-	-	-
Infrastructure	39,931,942	33,823,926	-	-	39,931,942	33,823,926
Total	\$ 95,809,458	\$ 94,033,728	\$ 3,771,861	\$ 3,743,639	\$ 99,581,319	\$ 97,777,367

Additional information on Lewis County's capital assets can be found in Note 6 within the notes to the financial statements in this report.

Long-term debt. At the end of the current fiscal year, Lewis County had total bonded - debt outstanding of \$20.1 million. Of this amount, \$56 thousand comprises debt other than General Obligation bonds backed by the full faith and credit of the government and \$11 thousand in special assessment debt for which the government is liable in the event of default by the property owners subject to the assessment.

Lewis County's Outstanding Debt

General Obligation Bonds

	Balance			Balance
	12/31/2011	New Issues	Retirement	12/31/2012
General Obligation Bonds	21,286,129	8,680,000	9,914,074	20,052,055
TOTAL	\$ 21,286,129	\$8,680,000	\$ 9,914,074	\$ 20,052,055

Lewis County's total debt decreased by \$1.3 million (5.9 percent) during the current fiscal year. The decrease was related to scheduled debt service during the year. During 2012 the County refunded the earlier 2003 LTGO bonds.

Lewis County maintains an "Aaa" insured (underlying A3) rating from Moody's for the county's outstanding general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 2.5 percent of its total assessed valuation. To reach the 2.5 percent maximum it would require a vote of the people for any debt issued over the 1.5 percent limit that does not require a vote. The current debt limitation for Lewis County is \$168 and \$93 million for the 2.5 percent and 1.5 percent maximums, respectively. Both are significantly in excess of Lewis County's outstanding general obligation debt.

Additional information on Lewis County's long-term debt can be found in note 11 in the notes to the financial statement within this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Lewis County is currently 11.1 percent, a slight decrease from the rate of 12.7 percent a year ago. This is higher than the current state's average unemployment rate of 7.0 percent compared to 8.1 percent a year ago and the national average rate of 8.1 percent.
- Inflationary trends in the region are comparable to national indices.

All of these factors were considered in preparing Lewis County's budget for the 2013 fiscal year.

During the fiscal year, 2012, unreserved fund balance in the general fund decreased to approximately \$10.3 million. For 2013, Lewis County has appropriated \$2.6 million of this amount for spending in the 2013 fiscal year budget for general operations. However, if needed, the use of available fund balance will avoid the need to raise taxes or charges during the 2013 fiscal year. It is uncertain if additional cuts in county departments may be required in the future.

Requests for Information

This financial report is designed to provide a general overview of Lewis County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Lewis County Auditor's Office, Financial Services, PO Box 29, Chehalis, WA 98532.